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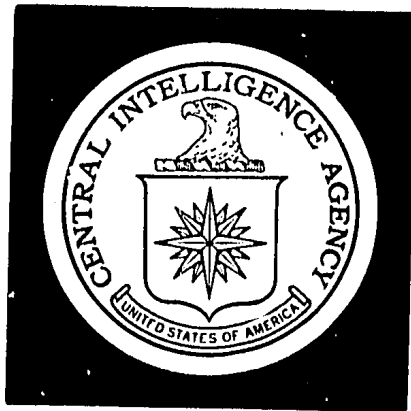
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# Intelligence Memorandum

*Communist China: Threadbare Outlook For Cotton Textiles*

**Secret**

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June 1971

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CENTRAL INTELLIGENCE AGENCY  
Directorate of Intelligence  
June 1971

INTELLIGENCE MEMORANDUM

COMMUNIST CHINA:  
THREADBARE OUTLOOK FOR COTTON TEXTILES

Introduction

1. Communist China's deposed head of state Liu Shao-ch'i once declared that his nation was bent on building a modern weapons arsenal even if its people had to go without trousers. Liu is gone but his succinct summary of Peking's priorities in the guns-versus-butter tradeoff remains as apt as ever. Although the average Chinese has never lost his pants under Mao's grim brand of Communism, he has undergone recurrent periods of shabby dress and even in good times his supply of textiles for clothing and other personal uses must be described as Spartan.

2. This memorandum reviews the cotton textile situation in Communist China during 1950-70, summing up trends in the output of raw cotton and cotton cloth. It describes the ration system and sketches the fluctuations in the per capita availability of cloth. Finally, it discusses prospects for cotton textiles in the new Fourth Five-Year Plan period (1971-75).

Discussion

Importance of the Industry

3. Along with the United States, the USSR, and India, Communist China ranks as one of the four largest producers of cotton textiles in the world. China's cotton textile industry consists of more than 200 mills containing more than 10 million spindles. Although some mills are to be found in every region, they are situated predominantly in the eastern third of the country, with Shanghai and Tientsin being the two leading centers. The industry is the largest single industry in China in terms of employment, which currently numbers roughly 1.3 million people, 70%-80% of whom are women.

*Note: This memorandum was prepared by the Office of Economic Research.*

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Early Experience

4. During the 1950s, when both the output of raw cotton and textile mill capacity were growing rapidly, production of cotton cloth tripled, reaching a peak of 7.5 billion linear meters in 1959. Because of diminished supplies of cotton resulting from mismanagement and poor weather during the Leap Forward, however, the production of cotton cloth plummeted and in 1961 was little more than half of the 1959 level. Production of cotton remained low in the early 1960s as a result of a large shift of acreage from cotton to food grains. For the estimated supply of raw cotton and production of cotton cloth in 1950-70, see the table.

5. Recovery of the textile industry in the 1960s was slow because of the continuing scarcity of cotton. Nonetheless, by the latter part of the decade much larger inputs of chemical fertilizer and pumps and other equipment in agriculture helped to restore cotton production. By the end of the 1960s China was matching its former levels of cotton production but on smaller acreage.

6. Production of cotton cloth gradually recovered from 1963 to 1966 as the result of increasing supplies of raw cotton. The upward trend, however, was once again reversed. The cause this time was Mao's broadside attempt to re-energize the revolution by purging the government and Communist Party bureaucracies. The so-called "Great Proletarian Cultural Revolution" (1966-70) caused no appreciable damage to industry in 1966 but the widespread disruptions of 1967-68 led to a cut of roughly 20% in cloth production. <sup>1/</sup> The agricultural sector, however, was little disturbed by the Cultural Revolution and supplies of cotton increased substantially in both 1967 and 1968. As a result, China entered 1969 with a raw cotton inventory augmented by more than one-half million tons.

7. Recovery from the effects of the Cultural Revolution proceeded rapidly. As the political turbulence subsided in 1969, industry in general – and the textile mills in particular – was able to resume normal operations. Production of cotton cloth in 1969 rebounded to about 6.5 billion linear meters, or somewhat above the output of 1966. On the investment side, whereas branches of heavy industry had continued to make important additions to capacity in spite of the Cultural Revolution, the cotton textile industry had no claim on construction resources. The existing capacity of the industry in 1969 still was far greater than actual production and was fully adequate for the immediate future given Peking's priorities.

25X1

## Communist China: Estimated Production and Supply of Ginned Cotton and Cotton Cloth

Year	Ginned Cotton (Thousand Metric Tons)			Cotton Cloth (Billion Linear Meters)			Mid-Year Population (Million)	Cloth Supply Per Capita (Linear Meters)
	Production <sup>a/</sup>	Net Imports	Supply <sup>b/</sup>	Production <sup>c/</sup>	Exports	Supply		
1950	692	58	502	2.522	Negl.	2.522	547	4.6
1951	1,030	68	760	3.058	Negl.	3.058	558	5.5
1952	1,303	45	1,075	3.829	Negl.	3.829	570	6.7
1953	1,174	35	1,338	4.685	0.002	4.683	583	8.0
1954	1,065	40	1,214	5.230	0.014	5.216	596	8.8
1955	1,518	45	1,110	4.361	0.117	4.244	611	6.9
1956	1,445	55	1,573	5.77	0.269	5.501	626	8.8
1957	1,640	50	1,495	5.05	0.302	4.748	642	7.4
1958	1,750	55	1,695	5.7	0.362	5.338	658	8.1
1959	1,520	-35	1,715	7.5	0.540	6.960	674	10.3
1960	1,430	35	1,555	5.8	0.574	5.226	689	7.6
1961	950	40	1,470	4.0	0.431	3.569	701	5.1
1962	930	50	1,000	4.2	0.436	3.764	710	5.3
1963	930	115	1,045	4.5	0.470	4.030	721	5.6
1964	1,270	175	1,105	4.9	0.598	4.302	735	5.9
1965	1,350	155	1,425	5.4	0.521	4.879	751	6.5
1966	1,650	130	1,480	6.0	0.715	5.285	766	6.9
1967	1,850	115	1,765	4.8	0.553	4.247	783	5.4
1968	1,650	85	1,935	4.8	0.624	4.176	800	5.2
1969	1,750	95	1,745	6.5	0.623	5.877	818	7.2
1970	1,740	65	1,815	7.5	0.630 <sup>d/</sup>	6.870	836	8.2

a. The figures for 1950-59 were reported by the Chinese. The remaining figures were estimated mainly from fragmentary information on acreage and growing conditions.

b. The supply available for use. It is assumed to be the sum of the production of the preceding year and the net imports of the current year.

c. The figures for 1950-59 were reported by the Chinese. The remaining figures are estimates derived by the methods explained in the Appendix.

d. Preliminary.

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8. The year 1970 was a boom year for both Chinese industry and agriculture with aggregate national output up more than 10%. Cotton textiles shared in the advance. Regression analysis 2/ suggests that the Chinese would have produced about 6.6 billion linear meters of cotton cloth in 1970 if the industry had not used any of the cotton accumulated during 1967-68, when some of the textile mill capacity was idled. Production, however, almost certainly exceeded the 6.5 billion linear meters estimated for 1969. Indeed, Premier Chou En-lai in his recent interview with the American author Edgar Snow, put China's production of cotton cloth in 1970 at 8.5 billion linear meters. Chou was using Snow to transmit to the outside world as rosy a picture as possible of China's economic advances and he probably exaggerated Chinese production. 3/ An assessment of all these factors suggests that production of cotton cloth in 1970 was roughly 7.5 billion linear meters, or about the same as the peak output reported by Peking for 1959. To produce this amount of cloth in 1970 the Chinese would have found it necessary to use perhaps one-fourth of the extra cotton inventory accumulated during 1967-68.

Personal Consumption

9. Since the beginning of the Communist regime, Peking's overall economic policy of rapid industrialization has meant that textile output would be held down to the minimum necessary to clothe the population in serviceable but Spartan fashion. In times of unusual cotton scarcity the cloth ration is sharply reduced or delayed; in times of good cotton crops the ration is increased, although it has never been truly adequate for even the simple needs of the population.

10. Ration coupons for cotton cloth are issued annually, usually at the beginning of each year, and must be surrendered for purchases of piece goods, most readymade clothing, bedding, and sometimes also for knitwear such as undergarments and socks. When an individual exhausts his supply of coupons he must either wait for next year's issue or else buy coupons or cloth on the black market. Normally, the black market is stocked by persons whose financial stringencies force them to sell their coupons or cloth. The extent of illicit trade depends on the degree of permissiveness in a given geographic area and the tightness of administrative controls.

11. The per capita cloth ration for a given year varies from place to place and is broadly differentiated according to regional differences in

2. For an explanation of the methodology used, see the Appendix.

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the severity of climate. The average per capita ration of cotton cloth in 1970 ranged approximately from 4-1/2 linear meters in southern, subtropical provinces to 8 meters in the chilly plains, plateaus, and mountains of northeast and northwest China.

12. Trends in China's per capita supply (production minus exports) of cotton cloth, as shown in the table, are roughly indicative of trends in the rationing of cloth for personal consumption. The average annual per capita supply during the 1960s was appreciably lower than in the 1950s -- about 6.1 linear meters, or only four-fifths of that (7.5 linear meters) in the fifties.

13. The plight of the Chinese man in the street is apparent in the following tabulation, which compares China's per capita supply of cotton cloth with that of other countries in 1965. The comparison is even more unfavorable to China than the figures indicate because in the United States, the USSR, and Japan cotton cloth shares the domestic market with large supplies of fabrics made from wool and chemical fibers. In India too, the supply of cotton cloth for domestic use is augmented significantly by rayon fabrics. By contrast, in China woolen and silk fabrics, which are too scarce and costly for the average Chinese, are largely exported, and chemical fibers presently make only a token contribution to textile supplies.

<u>Country</u>	<u>Per Capita Supply (Linear Meters)</u>
United States	51.9
USSR	27.3
Japan	20.2
India a/	13.3
Communist China	6.9

a. 1965.

14. The increased supply of cotton cloth in 1970, 8.2 linear meters per capita, exceeds the average per capita level of the 1950s and is about one-third above the average level of the 1960s. Still, the ration for the average Chinese in 1970 -- 4-1/2 to 8 linear meters depending on geographical area -- was scarcely enough to make one suit consisting of trousers and tunic. He was better off than he had been in a decade; but, as comparisons with other nations indicate, that is not saying much.

#### Other Domestic Uses

15. Although personal consumption accounts for the preponderant share of China's supply of cotton cloth, there are other important uses.

## SECRET

Social use, as the Chinese call it, covers the use of cotton cloth by public institutions such as hospitals, schools, public mess halls, and nurseries. Industrial uses include the wrapping and packaging of industrial products, and the manufacture of flour bags, canvas shoes, tire fabrics, tarpaulins, upholstery, insulation, belting, filter cloth, and other products. Military uses encompass the production of uniforms, bedding, and tents, and the wrapping and bagging of materiel.

### Trade

16. Cotton cloth is an important earner of foreign exchange, and exports, which go mostly to the Free World, have been pushed even in years of unusual domestic shortage. For example, when China postponed issuance of ration coupons to individuals during the first half of 1968, exports of cotton cloth were maintained at a high level (see the table), amounting to 13% of the year's output. Imports of cotton cloth and clothing have been insignificant.

### Prospects and Conclusions

17. Growth in China's output of cotton cloth during the Fourth Five-Year Plan (1971-75) will hinge on increases in the domestic cotton crop. The increase in inventories of cotton in 1967-68 was partly used up in order to achieve the high levels of cloth production in 1969-70 and will probably be used up completely well before 1975. Thus the cotton crop must rise to sustain the present level of cloth output, let alone raise it. Some moderate increase in cotton production probably will be achieved in 1971-75 through broader application of fertilizer, more extensive irrigation, and the use of improved seeds. A large increase will not be possible, however, unless the acreage sown to cotton is greatly enlarged -- an unlikely eventuality because of the higher priority of foodgrains in the competition for scarce arable land. Nor is it likely, in view of longstanding Chinese policy, that the cotton supply will be augmented significantly by imports. Add to these factors the 2.3% annual growth in population expected during 1971-75, and China's man in the street probably will be confined to the 1970 per capita supply of clothing during the new plan period.

18. The scarcity of clothing apparently is causing little concern in China, at least for the present. The American journalist Tilman Durdin reported in May 1971 that peasants in the Canton area still look ragged, but seem to attach a low priority to improving their clothing, even when they have the necessary money. Adults continue to dress in the drab blue or khaki tunic and pants, children in more colorful dress.

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19. For the longer term, however, the scarcity of clothing poses a very real problem for Peking. Even in China the expectations of the masses over time will rise and demand the attention of the regime. Under such circumstances the logical solution would be the building of a large chemical fiber industry.

20. The creation of a large chemical fiber industry in China would be costly. To raise production capacity from the present low level of 50,000-60,000 tons annually to, say, one-half million tons would require an investment equivalent to hundreds of millions of dollars. Purchases in the mid-1960s from the Free World of two such plants with a combined annual capacity of only 20,000 tons, for example, cost the Chinese about \$33 million, excluding investment in on-site construction and supporting facilities to produce steam, electric power, and other inputs.

21. Costs, then, will be a significant factor preventing a rapid large-scale expansion of chemical fibers as a substitute for natural fibers. Costs also - in terms of grain forgone or in terms of additional inputs - will limit the extent to which the domestic cotton crop will expand. In view of the expanding goals for heavy industry, transportation, and other sectors of high priority, China's masses can look forward to only small improvement of their threadbare existence in 1971-75.

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**SECRET****APPENDIX****Notes on Estimating Production of Cotton Cloth**

For this memorandum an equation describing the relationship between Communist China's supply of ginned cotton and production of cotton cloth was derived by statistical regression analysis of the data given in the text table for the years 1950-59. Estimated values for ginned cotton supply in 1960-70 were then used in the equation to generate the following estimates of China's cotton cloth production in 1960-70:

<u>Year</u>	<u>Production of Cotton Cloth</u> <u>(Billion Linear Meters)</u>	
1960	5.8	
1961	5.5	(4.0)
1962	4.0	(4.2)
1963	4.2	(4.5)
1964	4.4	(4.9)
1965	5.4	
1966	5.5	(6.0)
1967	6.4	(4.8)
1968	7.0	(4.8)
1969	6.4	(6.5)
1970	6.6	(7.5)

The estimates of production of cotton cloth shown above were then adjusted for certain years to conform with known divergencies in output of cotton and cotton cloth - for example, to take account of the partial shutdown of the mills during the disturbances of 1967-68. The adjusted estimates are shown in parentheses.

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